

**GOVERNMENT OF INDIA
CORPORATE AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:1053
ANSWERED ON:29.04.2016
Loopholes in Companies Law
Singh Shri Raj Kumar

Will the Minister of CORPORATE AFFAIRS be pleased to state:

(a) whether the present Companies Law is so loosely drafted and has so many loopholes, as to make it possible for unscrupulous persons to set up shell companies to launder money and to send money out of the country and then bring it back through the Mauritius route;

(b) if so, the details thereof; and

(c) whether the Government proposes to carry out overhaul of the Company Law to prevent the formation of shell and benami companies?

Answer

THE MINISTER OF CORPORATE AFFAIRS (SHRI ARUN JAITLEY)

???????? ???? ???? (???? ???? ????)

(a) to (c):- No. The Companies Act, 1956/2013 mandate that only individuals having Director Identification Number, which is allotted on verification of ID and address proof can become directors of a company. Further, the law requires physical verification of registered office addresses of companies by practicing professionals and intimation to the Registrar of Companies in the events of setting up or change in the situation of, registered office by the company. In addition, the accounts of all companies are required to be prepared as per Accounting Standards and audited by external auditors. The auditors are also required to report to Central Government on frauds above a prescribed threshold. Stringent penal provisions have been provided for fraud. These provisions appear sufficient to ensure that companies and its directors are traceable and the financial transactions of the company are properly and completely reported.
